

**Environmental Defense Fund's
Pre-Workshop Comments Regarding ICC MISO Zone 4 White Paper**

Environmental Defense Fund (“EDF”), provides the following comments in response to the Illinois Commerce Commission’s (“ICC”) request for pre-workshop comments regarding the upcoming Midcontinent Independent System Operator (“MISO”) Zone 4 workshops. EDF is a national nonprofit organization whose mission is to preserve the natural systems on which all life depends. Guided by science and economics, EDF finds practical and lasting solutions to the most serious environmental problems. EDF has a strong interest in minimizing the electric industry’s significant contribution to climate change and other environmental problems.

EDF has been involved in numerous ICC-led workshops, stakeholder processes, policy sessions, core electric utility dockets, rate cases, and is participating in the ICC’s Next Grid process. EDF has consistently worked in good faith to find solutions through each of those efforts, providing expert testimony and serving as a resource for Commissioners, staff, and stakeholders.

EDF objects to the hurried process the ICC currently envisions for this workshop. The issues the ICC seeks to address in a mere two workshops are complex and numerous. Identifying, analyzing, evaluating, negotiating, and implementing wholesale market concerns and solutions is typically a multi-year process for sophisticated wholesale market operators even when there is consensus that a problem exists and should be resolved.

Not only is there no consensus that a problem exists and should be resolved, there seems to be near consensus that the inverse is true – that a problem does not exist and that there is nothing that needs to be resolved. The ICC’s own analysis acknowledges that there is no resource adequacy issue in the near term.

Two workshops and two substantive comment periods do not provide sufficient opportunity for stakeholders to prepare analyses on the issues, nor fully vet proposals by some participants that could raise rates on Illinois customers by billions of dollars. The process further does not allow adequate time for the ICC to thoroughly investigate the potential issues themselves. Further, the first workshop date and first set of substantive comments are scheduled less than one month after stakeholders were notified of the process, and fall during an exceptionally busy time of year for stakeholders, the Commission staff, and the Commission itself, with both regular annual dockets and docket load due to the implementation of the Future Energy Jobs Act.

These issues are only compounded by uncertainties currently surrounding MISO Zone 4 and Dynegy, the dominant generator in MISO Zone 4. Those include:

1. A pending merger of Dynegy and Vistra, which will close in Q2 of 2018.
2. Potential changes to the multi-pollutant standards rule pushed by Dynegy and currently under consideration at the Illinois Pollution Control Board.
3. Legislation before the Illinois General Assembly.
4. The pending Notice of Proposed Rulemaking at the Federal Energy Regulatory Commission (“FERC”), which could significantly impact resource compensation and availability if adopted
5. Inter-RTO impacts on MISO of the pending PJM price formation market reform proposal and request that the FERC open a new docket to define grid resilience.

As such, EDF requests that the ICC amends its timeline to: 1) reschedule the first workshop and round of comments until after the new year, and 2) extend the schedule to provide additional time between workshops for stakeholders and the ICC to conduct thorough analysis, and to include additional workshops to take place in the wake of any outcomes of each of the five uncertainties outlined above, and any additional related issues that arise. This would create a schedule that, at a minimum, adds 3-4 workshop sessions, from March through September.

These steps will help ensure that stakeholders have an opportunity to meaningfully participate in the process, and that the ICC has opportunity to consider the complex issues in MISO Zone 4 in a comprehensive manner.

Despite EDF’s concerns about the process described above, EDF intends to participate in the December 7, 2017 workshop at the ICC’s Chicago location. EDF requests the ability to give a formal presentation at that workshop to relay some of our technical viewpoints and analyses on MISO Zone 4.

At a minimum, and in addition to consideration of the above uncertainties, EDF proposes that the first workshops should consider a number of questions, some of which were referenced in the ICC's Whitepaper of November 1, 2017. For convenience, proposed questions are organized following text from the Whitepaper where relevant.

The FEJA stands to drive growth in renewable energy and energy efficiency resources by requiring the utilities to take long-term positions with respect to energy efficiency and renewable energy. The ZES portions of the FEJA will also allow financially vulnerable nuclear plants, which may include the Clinton Power Station in MISO Zone 4, to forestall retirement for the next decade. Nuclear power plants tend to be very reliable, have high capacity and high capacity factors. They therefore, are formidable competitors to all resources, including coal-fired plants.

The renewable energy and energy efficiency requirements in the FEJA stand to significantly lower the amount of demand in Illinois and increase the amount of new renewable generation built in Illinois. The FEJA, when paired with the increase in available low-cost natural gas and nuclear energy resources, reduces the ability for generation capacity from older and relatively more expensive coal-fired plants to successfully compete for the sale of capacity and long-term energy contracts.

Whitepaper at 16.

- A. How should the additional expected capacity coming online as a result of the Future Energy Jobs Act be estimated as it relates to forecasting resources?
- B. How should forestalled nuclear retirements be estimated?
- C. How should declining energy usage, as a result of expanded energy efficiency efforts and evolving technology, be estimated as it relates to forecasting future capacity needs?

In the 2017 survey, MISO projected a surplus for the 2018 delivery year of 2.7 to 4.8 GW in excess of the reserve margin requirement due to changes in resource commitments and decreased demand. For the 2018 delivery year, Zone 4 went from an estimated 1.6 GW deficit in the 2016 survey to an estimated 0.7 to 1.6 GW surplus. The 2017 survey also forecasts a surplus of 0.4 to 1.5 GWs for Zone 4 for the 2022 delivery year. This surplus in the Zone 4 can likely be attributed, in part, to Exelon's decision to rescind its retirement announcement for the Clinton nuclear power plant operating in Zone 4. The reserve margin across the MISO region is expected to range from 16 to 22 percent in the 2018-2022 timeframe. This is above the target planning reserve margin requirement of 15.8 percent.

Whitepaper at 10.

- D. Given the current forecasted surplus, is any action appropriate? If so, what and when?
- E. If the Reserve Margin Requirement that is the core of this statement is based on a definition of a one day in ten year high event of peak load, what conditions would lead to such a peak?
- F. What types of tools out there exist to manage such a peak event based on those likely scenarios?
- G. If Dynegy or Vistra decides to close 3,000 MW of generation capacity, would that lead to a 1 for 1 reduction in available capacity in the reserve margin requirement, or is MISO Zone 4's available capacity inclusive of capacity from other states?
- H. Does the available capacity in MISO's survey include other resources that sit within MISO Zone 4 but sell capacity into other markets, such as PJM?

The use of the OMS-MISO survey to measure resource adequacy has received mixed reactions. Some critics argue that the survey is not a rigorous, independent examination of resources in MISO and that the survey is also unable to capture the entry and exit decisions of merchant generators that can occur within the five-year forward period of the survey. Others argue that the survey results are unreliable in that the survey is overly-sensitive to MISO's load forecast, which is the basis of the planning reserve margin and the OMS-MISO survey. Conversely, some MISO stakeholders have argued that the OMS-MISO survey is overly-conservative and focused on the low-end of capacity estimates, resulting in unnecessarily alarming results and exaggerating any possible capacity deficits. In particular, state regulators in traditionally regulated states and the utilities that they regulate argue that their use of integrated resource planning helps assure long-term resource adequacy, even if the particular resources expected to be used in the forward period are unknown at the time of the survey. While MISO has taken some steps to address these criticisms, the result is that the OMS-MISO survey is limited in its ability to provide clear and reliable insight into resource adequacy in either the MISO region or its LRZs.

Whitepaper at 10-11.

- I. Should another body or agency conduct its own load forecast and/or resource adequacy survey? If so, what are the appropriate inputs?

- J. What has been the historical accuracy of Reserve Margin Requirements and load forecasts – have they resulted in higher or lower projections than reality?

The designation of local resource zones (“LRZs”) helps to ensure a locational pricing of capacity that reflects limitation on the transmission system to deliver electricity in a particular area and to account for the different needs for capacity in various areas of MISO. For each LRZ, MISO specifies a capacity import limit and a capacity export limit designed to ensure reliability and recognize any transmission constraints. MISO also determines a planning reserve margin requirement and a local clearing requirement for each LRZ. The planning reserve margin requirement (“PRMR”) is the total amount of capacity that each LRZ must procure and the local clearing requirement (“LCR”) is a percentage of that amount of capacity that is required to be procured either from resources located within each LRZ or from resources external to the LRZ meet the established

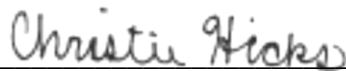
Whitepaper at 4.

- K. Throughout the whitepaper and in public discussions, Resource Adequacy gets conflated with Reliability, while grid operations and market mechanisms such as the MISO local clearing requirement clearly distinguish between the two. What tools other than a capacity market are available for ensuring Reliability if Resource Adequacy is met primarily from out-of-state resources?
- L. How have other wholesale markets attempted to allow for different types of demand-side or new technology resources (such as demand response, energy storage, smart inverters, or other approaches) to meet reliability needs as a superior alternative to old, slow-moving generators?

EDF appreciates the Commission’s consideration of these comments.

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Respectfully Submitted,



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